



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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November 15, 2005

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

SUBJECT: IMPROVING MANAGED CARE PLAN COLLECTIONS

As referenced in my August 15, 2005 memo to you, this is to provide an update on our progress in improving Managed Care and Health Care Plan (HCP) billing and collections during the third quarter of calendar year 2005.

- The Ad Hoc Committee, comprised of County Counsel, facility designated physicians, Patient Financial Services (PFS) Directors, Chief Financial Officers (CFOs), and Utilization Review (UR) Directors, continues to meet on a monthly basis to review the current facility procedures, identify ways to improve the authorization process, develop revised policies and procedures, and enrich the knowledge base of physicians and other designated facility personnel through a training program.
- The committee implemented a universal face sheet; this face sheet is used to notify health care plans via fax of their member's admission to the hospital. Three Department of Health Services (DHS) hospitals have begun using the new face sheet; the remaining hospital facilities have targeted implementation by December 2005.
- The lawsuit filed by Maxicare against one of their creditors has been tentatively settled pending bankruptcy court approval. DHS should anticipate receipt of the final settlement of \$1.4 million before the end of calendar year 2005; this payment will bring our settlement total to \$2.6 million.
- Universal Care and Revenue Management (RM) are continuing to adjudicate the outstanding claims for dates of services through June 30, 2005. Universal Care has agreed to submit payments on an ongoing basis; to date DHS has received \$1.6 million. RM will continue monthly meetings and monitoring.

On May 31, 2005, Watts Health Foundation, Inc. dba UHP Healthcare (UHP) filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court. As a result of this filing, the tentative settlement of emergency services claims is off the table and DHS will have to submit a "proof of claim" to the bankruptcy court with all other creditors.

The "bar date" is set for January 31, 2006. RM represents DHS along with County Counsel on the Watts Creditors Committee.

- On May 31, 2005, your Board approved an amendment to extend the term of the existing Blue Cross Agreement effective July 1, 2005 through December 31, 2005, and delegated authority to the Director to extend the term on a month-to-month basis through June 30, 2006, upon written mutual agreement of the parties. DHS and Blue Cross are currently negotiating the terms for a new agreement. Since these negotiations will not be complete by December 31, 2005, DHS will exercise its month-to-month contract extension provision to extend the Blue Cross agreement.
- Health Net and RM have reached settlement for the remaining calendar year (CY) 2003 and first quarter CY 2004 outstanding claims. The settlement offer and settlement agreement is currently being worked on by both parties. DHS can expect the offer and agreement to be complete within the next couple of weeks and the settlement checks received by November 30, 2005. As soon as the settlement checks are received, Health Net and RM will immediately begin adjudicating the remaining CY 2004 outstanding claims and the first and second quarter CY 2005 outstanding claims. Estimated date for completion is April 2006.
- On November 3, 2005, Molina and RM reached a settlement for \$1.2 million for all outstanding claims for dates of services through December 31, 2004. County Counsel and Molina's attorney are currently preparing the settlement agreement. Once the settlement agreement is approved and signed by all parties, DHS can expect to receive its check within 10 days of signature. As a result of this settlement, DHS and Molina will resume contract negotiations for a new agreement.

The Department will continue to provide quarterly reports to the Board on our progress in improving managed care plan billing and collection. The next report will be provided in February 2006. If you have questions, please let me know.

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c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller